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January 18, 2005
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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

January 18, 2005

Audit Number 04012

Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

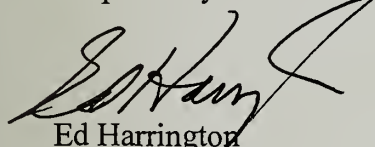
President and Members:

The Office of the Controller (Controller) presents its report concerning the audit of Southeast Asian Community Center (Center) and its compliance with the City and County of San Francisco (City) ordinance prohibiting the use of city funds for political activity. The audit revealed that the Center did not use for political activity any of the \$5,725 of city funds that it received under its grant amendments with the Department of Aging and Adult Services (department).

We conducted this audit to meet the San Francisco Administrative Code's requirement that the Controller audit annually at least 10 persons or entities that enter into contracts, grant agreements, or loan agreements with the City. The Controller is to ensure that the persons or entities comply with Section 12G of the code, which prohibits the use of city funds for political activity. The code defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure.

According to its grant, the Center was to provide citizenship and naturalization services to the Asian community in San Francisco. The grant amendments amount subject to the City's prohibition is \$8,189. Of this amount, the Center received \$5,725 in reimbursement for expenses under the grant during the audit period.

Respectfully submitted,


Ed Harrington
Controller

INTRODUCTION

BACKGROUND

To fulfill the requirements of the San Francisco Administrative Code (Administrative Code), Section 12G, we randomly selected Southeast Asian Community Center (Center) as the subject for one of our 10 reviews of contract, grant, or loan recipients that must observe the Administrative Code's ban on the use of city funds for political activity. Each year, to ensure compliance with this ban, the Administrative Code requires us to audit at least 10 persons or entities that enter contracts, grant agreements, or loan agreements with the City and County of San Francisco (City). This year, we randomly selected 10 people or entities, including the Center, that received city funds from January 1, 2003, through June 30, 2003, through a contract, grant, or loan that incorporated language banning the use of city funds for political activity.

The prohibition on the use of city funds for political activity became part of the Administrative Code after voters in the City passed Proposition Q on November 5, 2002. The former proposition is now Section 12G of the Administrative Code, which defines political activity as participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure. Section 12G also requires that all contracts, grant agreements, and loan agreements incorporate language that delineates the prohibition. According to the Office of the City Attorney, persons and organizations receiving contracts, grants, and loans from the City are not subject to Section 12G unless the prohibition appears in their agreements. According to a deputy city attorney, agreements typically did not begin to include the prohibition until January 2003.

The Center, the subject of this review, had a grant from the Department of Aging and Adult Services (department) for \$7,412 to provide citizenship and naturalization services to the Asian community in San Francisco. On January 1, 2003, the department and the Center entered a grant amendment that incorporated Section 12G of the Administrative Code into the agreement. This amendment also awarded the Center an additional \$2,300 in grant funds. In another grant amendment dated May 1, 2003, the department awarded the Center an additional \$5,889 in grant funds. Thus, the department awarded the Center a total of \$8,189

in grant funds that is subject to this prohibition. From January 1, 2003, through September 30, 2003, the Center received \$5,725 in reimbursements for expenses under the grant and subject to the prohibition to use city funds for political activity. The Center's last claim for reimbursement for services under the grant was through September 30, 2003.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if the Center inappropriately expended any city funds participating in, supporting, or attempting to influence a political campaign for any candidate or ballot measure.

To conduct the audit, we identified that the Center had a grant amendment with the City that included the prohibition of using city funds for political activity. From January 1, 2003, through September 30, 2003, we identified all payments that the City made to the Center for providing services under the grant during the audit period. Because the Center did not account for the grant expenses separate from its other expenses, the Center prepared a financial statement for the entire organization for the audit period, including expenses incurred under the grant. Using this financial statement, we reviewed some of the Center's accounts and a sample of expenses that it incurred during the audit period to verify it did not spend city funds for purposes related to political activity. In addition, we assessed the Center's procedures for approving and recording expenditures, and reviewed its federal tax return for 2003. We also asked the Center staff whether they had spent city or other funds for purposes related to political activity. Finally, we searched the San Francisco Campaign Finance Database and the State of California's Cal-Access database, which reports campaign contributions, to find any instances that the Center made political contributions.

AUDIT RESULTS

SOUTHEAST ASIAN COMMUNITY CENTER COMPLIED WITH ITS GRANT REQUIREMENT TO NOT USE CITY FUNDS TO PAY FOR POLITICAL ACTIVITIES

The Southeast Asian Community Center did not use any of the \$5,725 of city grant funds that it received to participate in, support, or attempt to influence a political campaign for any candidate or ballot measure. In auditing its accounting records and reviewing its Internal Revenue Service's *Return of Organization Exempt From Income Tax* (Form 990), we found no evidence of expenditures for political activities. In addition, the Center's management informed us that the agency did not make such expenditures. Furthermore, the City's Campaign Finance Database and the State of California's Cal-Access database did not show any evidence that the Center made any political contributions from January 1, 2003, through September 30, 2003, which was the period we reviewed.

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

Staff: Ben Carlick, Audit Manager
Edwin De Jesus

cc: Mayor
Board of Supervisors
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